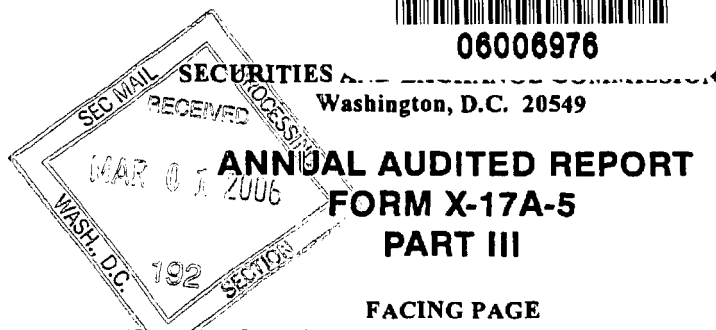




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AB 3/29/06

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2004
Estimated average burden hours per response: 12.00

SEC FILE NUMBER
8-65674

FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2005 AND ENDING December 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: The Spartan Group LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

450 N. Brand Avenue, Suite 648

(No. and Street)

Glendale

California

91203

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Douglas Gonsalves

JOHN JOHNSON

(818) 291-6366

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates Inc., Certified Public Accountants

(Name - if individual, state last, first, middle name)

9010 Corbin Avenue Suite 7

Northridge

CA

91324

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

JUN 08 2006

**THOMSON
FINANCIAL**

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, ~~Doug Gonsalves~~ JOHN JOHNSON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Spartan Group LLC, as of December 31, 20 05, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

State of CALIFORNIA
County of Los Angeles
Subscribed and sworn (or affirmed) to before me this 12th day of Jan 2006
Jilla Massehian
Notary Public

[Signature]
Signature
MANAGING DIRECTOR
Title



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss)
- ☒ (d) Statement of Changes in Cash Flows
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

BREARD & ASSOCIATES, INC.
Certified Public Accountants

Independent Auditor's Report

Board of Directors
The Spartan Group LLC

We have audited the accompanying statements of financial condition of The Spartan Group LLC as of December 31, 2005 and the related statements of operations, changes in members' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Spartan Group LLC as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III is presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole and in conformity with the rules of the Securities and Exchange Commission.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
January 13, 2006

We Focus & CareSM

9010 Corbin Avenue, Suite 7
Northridge, California 91324
(818) 886-0940 • Fax (818) 886-1924
www.baicpa.com

The Spartan Group LLC
Statement of Financial Condition
December 31, 2005

Assets

Cash	\$ 34,430
Accounts receivable, net	20,266
Deposits	<u>865</u>
Total assets	<u>\$ 55,561</u>

Liabilities and Members' Equity

Liabilities

Income taxes payable	\$ 800
Other liabilities	<u>2,000</u>
Total liabilities	2,800

Members' equity	<u>52,761</u>
Total liabilities and members' equity	<u>\$ 55,561</u>

The accompanying notes are an integral part of these financial statements.

The Spartan Group LLC
Statement of Operations
For the Year Ended December 31, 2005

Revenues

Fees	\$ 353,910
Retainers	<u>263,500</u>
Total revenues	617,410

Expenses

Employee compensation and benefits	445,280
Occupancy and equipment rental	47,099
Communications	9,263
Taxes, other than income taxes	2,704
Reimbursed expenses	(63,941)
Other operating expenses	<u>177,627</u>
Total expenses	<u>618,032</u>

Income (loss) before income taxes (622)

Income tax provision 3,300

Net income (loss) \$ (3,922)

The accompanying notes are an integral part of these financial statements.

The Spartan Group LLC
Statement of Changes in Members' Equity
For the Year Ended December 31, 2005

	<u>Members'</u> <u>Equity</u>
Balance, January 1, 2005	\$ 38,683
Members' contributions	20,000
Members' distributions	(2,000)
Net income (loss)	<u>(3,922)</u>
Balance, December 31, 2005	<u><u>\$ 52,761</u></u>

The accompanying notes are an integral part of these financial statements.

The Spartan Group LLC
Statement of Cash Flows
For the Year Ended December 31, 2005

Cash flows from operating activities:

Net income (loss) \$ (3,922)

Adjustments to reconcile net (loss) to net cash provided by
(used in) operating activities:

(Increase) decrease in:

Accounts receivable \$ (13,973)

(Decrease) increase in:

Income taxes payable (100)

Total adjustments (14,073)

Net cash provided by (used in) operating activities (17,995)

Cash flows from investing activities:

—

Cash flows from financing activities:

Members' contributions \$ 20,000

Net cash provided by (used in) financing activities 20,000

Net increase (decrease) in cash 2,005

Cash at beginning of year 32,425

Cash at end of year \$ 34,430

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest \$ —

Income taxes \$ 5,204

Supplemental disclosure of non cash transactions: As discussed in Note 3, the Company reclassified \$2,000 of a withdrawing Member's capital account to a liability account to recognize an agreement to return a portion of his capital.

The accompanying notes are an integral part of these financial statements.

The Spartan Group LLC
Notes to Financial Statements
December 31, 2005

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Spartan Group LLC (the "Company") was organized in the State of California, under the name Spartan Capital Partners, LLC. On February 13, 2003, the company changed its name to The Spartan Group LLC. The Company is a Limited Liability Company operating as a registered broker-dealer in securities under the Securities and Exchange Act of 1934. The Company is a member of the National Association of Securities Dealers ("NASD") and the Securities Investor Protection Corporation ("SIPC").

The Company conducts business on a fully disclosed basis whereby the execution and clearance of trades are handled by another Broker/Dealer. The Company does not hold customer funds and/or securities.

The Company raises capital for corporate clients as a placement agent and provides consulting advice for mergers and acquisitions.

Summary of Significant Accounting Policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company, with the consent of its Members, has elected to be a California Limited Liability Company. For tax purposes, the Company is treated like a partnership, therefore in lieu of business income taxes, the Members are taxed on the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements. The State of California has similar treatment, although there exists a provision for a minimum Franchise Tax of \$800 and a gross receipts tax.

Fees are recognized when earned.

Advertising and marketing costs are expensed as incurred. For the year ended December 31, 2005, the Company charged \$4,610 to other operating expenses for advertising and marketing costs.

The Spartan Group LLC
Notes to Financial Statements
December 31, 2005

Note 2: ACCOUNTS RECEIVABLE, NET

Accounts receivable are valued and reported at net realizable value. An allowance for doubtful accounts is considered necessary because probable uncollectible accounts are material.

As of December 31, 2005, the Company wrote-off \$18,641 of the expected uncollectible accounts from all services provided from the total outstanding receivables. This estimate is entered as a bad debt expense and is included in other operating expenses.

Accounts receivable, net consists of the following:

Accounts receivable	\$ 20,266
Less: Allowance for doubtful accounts	<u> — </u>
Accounts receivable, net	<u><u>\$ 20,266</u></u>

Note 3: OTHER LIABILITIES

Effective April 30, 2005, one of the Members of the Company withdrew from the LLC. The Company believes that is not obligated to return that Member's invested capital based upon provisions contained in the operating agreement regarding the withdrawal of Members. However, since the withdrawal was amicable in nature, the Company is currently in negotiations with that Member to pay him at least a portion of his remaining capital account as a gesture of goodwill. The \$2,000 liability accrued for this purpose is management's best estimate of the ultimate payout.

Note 4: INCOME TAXES

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company has elected Limited Liability Company tax status, therefore no federal income tax provision is provided.

All tax effects of the Company's income or loss are passed through to the Members individually. At December 31, 2005, the Company recorded gross receipts tax of \$2,500 and the minimum limited liability company income tax of \$800.

Note 5: RENT EXPENSE

Current year rent expense consists of the following:

Office rent	<u><u>\$ 47,099</u></u>
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The Spartan Group LLC
Notes to Financial Statements
December 31, 2005

Note 6: RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("FAS 123R"), which requires the measurement and recognition of compensation expense for all stock-based compensation payments including grants of employee stock options. Stock options are a valuable and important tool used by many companies as a means to motivate employees and promote business growth. This statement eliminates the ability to account for such share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees," and requires that such transactions be reflected in the financial statements based upon the estimated fair value of the awards. In addition, there are a number of other requirements under the new standard that will result in differing accounting treatment than currently required. These differences include, but are not limited to, the accounting treatment for the tax benefit on employee stock options and for stock issued under an employee stock purchase plan. FASB 123R becomes effective for all reports issued after June 15, 2005. Adoption of the new standard has not had a material effect upon the financial statements of the company.

Note 7: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2005, the Company had net capital of \$31,630, which was \$26,630 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$2,800) to net capital was 0.09 to 1, which is less than the 15 to 1 maximum ratio allowed for broker/dealer.

Note 8: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$2,800 difference between the computation of net capital under net capital Sec. Rule 15c3-1 and the corresponding unaudited focus part IIA.

Net capital per unaudited schedule		\$ 34,430
Adjustments:		
Members' equity	\$ (2,800)	
Total adjustments		<u>(2,800)</u>
Net capital per audited statements		<u>\$ 31,630</u>

The Spartan Group LLC
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2005

Computation of net capital

Members' equity		\$ 52,761
Less: Non-allowable assets		
Accounts receivable	\$ (20,266)	
Deposits	<u>(865)</u>	
Total non-allowable assets		<u>(21,131)</u>
Net Capital		31,630

Computation of net capital requirements

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 187	
Minimum dollar net capital required	\$ 5,000	
Net capital required (greater of above)		<u>(5,000)</u>
Excess net capital		<u>\$ 26,630</u>
Ratio of aggregate indebtedness to net capital	0.09:1	

There was a \$2,800 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2005. See Note 8.

The Spartan Group LLC
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2005

A computation of reserve requirements is not applicable to The Spartan Group LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

See independent auditor's report.

The Spartan Group LLC
Schedule III - Information Relating to Possession or Control
Requirements Pursuant to Rule 15c3-3
As of December 31, 2005

Information relating to possession or control requirements is not applicable to The Spartan Group LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

See independent auditor's report.

The Spartan Group LLC
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2005

Board of Directors
The Spartan Group LLC

In planning and performing our audit of the financial statements and supplemental schedules of The Spartan Group LLC for the year ended December 31, 2005, we considered its internal control structure, for the purpose for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by The Spartan Group LLC including tests of such practices and procedures that we considered relevant to objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we considered to be material weakness as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate material inadequacy for such purposes. Based on this understanding on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
January 13, 2006